

Message Text

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TO USMISSION NATO

INFO ALL NATO CAPITALS

USCINCEUR

C O N F I D E N T I A L STATE 005452

E.O. 11652: GDS

TAGS: NATO, MCAP

SUBJECT: NEXT FIVE-YEAR NATO INFRASTRUCTURE PROGRAM

SECDEF HAS SENT FOLLOWING LETTER DATED DECEMBER 30, 1974 TO
HONORABLE JOHN C. STENNIS, CHAIRMAN, COMMITTEE ON ARMED
SERVICES, U.S. SENATE; HONORABLE MICHAEL J. MANSFIELD,
CHAIRMAN, SUBCOMMITTEE ON MILITARY CONSTRUCTION, COMMITTEE
ON APPROPRIATIONS, U.S. SENATE; HONORABLE F. EDWARD
HEBERT, CHAIRMAN, COMMITTEE ON ARMED SERVICES, HOUSE OF
REPRESENTATIVES; AND HONORABLE ROBERT L.F. SIKES,
CHAIRMAN, SUBCOMMITTEE ON MILITARY CONSTRUCTION, COMMITTEE
ON APPROPRIATIONS, HOUSE OF REPRESENTATIVES:

QUOTE. DEAR MR. CHAIRMAN:

QUOTE. (C) IN MY LETTER OF OCTOBER 7, 1973, I ADVISED YOU
OF THE PROPOSED US POSITION ON THE NEXT FIVE-YEAR NATO
INFRASTRUCTURE PROGRAM. OUR INITIAL NEGOTIATING POSITION
WAS SUBSTANTIALLY AS FOLLOWS:

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QUOTE. 1. SUPPORT A FIVE-YEAR INFRASTRUCTURE PROGRAM OF DOLLARS 2 BILLION (IAU 600 MILLION). (FOOTNOTE: ONE INFRASTRUCTURE ACCOUNTING UNIT (IAU EQUALS DOLLARS 3.38 (CURRENT VALUE).)

QUOTE. 2. REVISE NATO RULES TO ALLOW US INDUSTRY TO COMPETE EQUALLY WITH EUROPEANS FOR INFRASTRUCTURE CONTRACT AWARDS.
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QUOTE. 3. LIMIT US EFFECTIVE COST SHARE TO 20 PERCENT.

QUOTE. (C) FULL AND DETAILED NEGOTIATIONS ON THIS SUBJECT HAVE TAKEN PLACE OVER THE PAST YEAR. DESPITE OUR BEST EFFORTS, WE HAVE BEEN UNABLE TO REACH A CONSENSUS OF THE NATO NATIONS ON A FUNDING LEVEL FOR THE 1975-79 INFRASTRUCTURE PROGRAM BEYOND IAU 400 MILLION (DOLLARS 1.35 BILLION). AS THERE IS NO FLEXIBILITY LEFT IN THE ALLIED POSITION, I ACCEPTED THAT LEVEL OF FUNDING DURING THE RECENT MINISTERIAL MEETING OF THE NATO DEFENSE PLANNING COMMITTEE. DEPENDING ON ECONOMIC DEVELOPMENTS, THERE MAY BE SOME HOPE OF AUGMENTING THE AGREED FUNDING LEVEL AT A LATER POINT IN THE FIVE-YEAR PERIOD.

QUOTE. (C) WE HAVE PROGRESSED TOWARD FINAL AGREEMENT THAT ALL NATO INFRASTRUCTURE BIDS BE COMPARED EXCLUSIVE OF IMPORT TAXES AND DUTIES, TO GIVE ALL QUALIFIED CONTRACTORS AN EQUAL OPPORTUNITY TO WIN NATO CONTRACT AWARDS. WITH THE EXCEPTION OF ITALY, ALL NATO COUNTRIES HAVE NOW ACCEPTED THIS CHANGE, EFFECTIVE WITH THE NEW FIVE-YEAR PROGRAM. ITALY HAS ADVISED THAT ITS AGREEMENT IS NEAR, BUT FINAL ARRANGEMENTS HAVE NOT YET BEEN COMPLETED.

QUOTE. (C) AS TO NATIONAL COST-SHARING, WE HAD ASKED OUR ALLIES TO REDUCE OUR SHARE OF THE INFRASTRUCTURE PROGRAM TO AN EFFECTIVE 20 PERCENT, EITHER BY REDUCTION IN OUR PERCENTAGE SHARE OF THE NORMAL PROGRAM, OR BY A NEW EUROPEAN DEFENSE IMPROVEMENT PROGRAM (EDIP). WE DID NOT GAIN AGREEMENT TO A MAJOR REDUCTION IN OUR OFFICIAL
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COST SHARE, BUT WE WERE ABLE TO EFFECT A REDUCTION FROM 29.67 PERCENT TO 27.23 PERCENT. OUR ALLIES COULD NOT AGREE ON A NEW EDIP, BUT THEY PROPOSED TO INCLUDE UNDER THE NORMAL INFRASTRUCTURE PROGRAM A SPECIAL CATEGORY OF PROJECTS IN SUPPORT OF US FORCES, WHICH WOULD OTHERWISE RELY ON APPROPRIATED US FUNDS. THE PROGRAM THEY HAVE OFFERED US IS AS FOLLOWS (IN THOUSANDS OF IAUS):

---	NORMAL	SPECIAL	TOTAL
---	PROGRAM	US PROGRAM	PROGRAM

TOTAL	371,081	28,919	400,000
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NON US SHARE (72.77 PER- --CENT)	270,037	21,044	291,081
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US SHARE (27.23 PERCENT)	101,044	7,875	108,919
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LESS CREDIT	21,044	-	28,919
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NET US SHARE	80,000	-	80,000
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PERCENT NORMAL PROGRAM	21.56 PER-	-	-
--	CENT		

PERCENT TOTAL PROGRAM	-	-	20 PERCENT
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QUOTE. (C) OUR ALLIES CONTEND THAT THE ABOVE PROGRAM DOES INDEED REDUCE THE US SHARE OF THE IAU 400 MILLION PROGRAM TO 20 PERCENT. THIS IS CALCULATED BY THE SUBTRACTION OF THE ENTIRE SPECIAL PROGRAM FROM THE TOTAL US SHARE TO OBTAIN IAU 80 MILLION, WHICH IS 20 PERCENT OF IAU 400 MILLION. WE HAVE POINTED OUT THAT THE IAU 80 MILLION SHOULD BE COMPARED TO THE IAU 371 MILLION OF THE NORMAL PROGRAM IN CALCULATING THE QUOTE EFFECTIVE US SHARE UNQUOTE, WHICH IS 21.56 PERCENT. AFTER DISCUSSION OF THESE TWO VIEWPOINTS, OUR ALLIES INSISTED THAT THE PROGRAM THEY OFFERED ACCOMPLISHED A MAJOR REDUCTION IN THE US SHARE OF THE TOTAL PROGRAM. IN ANY CASE, THEY SHOWED NO INCLINATION TOWARD FURTHER INCREASES OF THE SPECIAL PROGRAM.

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QUOTE. (C) IN ADDITION, THERE REMAINS SOME DIVERGENCE OF VIEWS REGARDING THE CONTENT OF THE SPECIAL US PROGRAM. SOME ALLIES BELIEVE THE US SHOULD BE CONTENT WITH THE INCLUSION OF PROJECTS WHICH, WHILE ELIGIBLE FOR NORMAL INFRASTRUCTURE PROGRAMMING, ARE OF SUCH LOW PRIORITY AS NOT TO BE FUNDABLE WITHIN THE REASONABLY NEAR FUTURE. WE INSISTED THAT PROJECTS IN THE SPECIAL PROGRAM MUST BE INELIGIBLE FOR NORMAL INFRASTRUCTURE FUNDING IN ORDER TO COUNT TOWARD A REDUCTION IN THE US SHARE.

QUOTE. (C) IN VIEW OF THE DIFFICULTIES IN COMING TO AN AGREEMENT ON BOTH THE COST SHARING AND PROJECT ELIGIBILITY ASPECTS OF THIS QUESTION, I INTEND, IN THE ABSENCE OF DISAGREEMENT FROM YOUR COMMITTEE, TO ACCEPT OUR ALLIES'

PROPOSAL AS DETAILED ABOVE, BUT MAINTAINING OUR POSITION
CONCERNING PROJECT ELIGIBILITY IN THE SPECIAL US PROGRAM.
I BELIEVE THIS MEETS THE INTENT OF CONGRESS AND REPRESENTS
A STEP FORWARD IN OUR EFFORTS TO SHIFT A GREATER
PART OF THE NATO BURDEN TO OUR ALLIES.

QUOTE. (U) REPRESENTATIVES OF THE DEPARTMENT OF DEFENSE
ARE AVAILABLE TO PROVIDE ANY ADDITIONAL CLARIFICATION YOU
MAY DESIRE. A COPY OF MY OCTOBER 7, 1973 LETTER IS
ATTACHED.

QUOTE. SINCERELY, (SIGNED) JAMES R. SCHLESINGER. UNQUOTE

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